



Delaware Guide for Small Business

Delaware Economic Development Office
Delaware Division of Revenue
Delaware Small Business Development Center Network
Delaware District Office, U.S. Small Business Administration



Dear Small Business Owner:

On behalf of the State of Delaware, I am pleased to present to you this Small Business Start Up Guide and Resource Book. I hope this guide proves to be helpful in locating the resources you need as you move forward with your business.

My personal experience as a small business owner has shown me that Delaware is a great place to start and operate your small business. In fact some of our state's largest companies started as a small business. It can happen here in Delaware and it can happen for you.

This resource gives Delawareans basic information about how to start a business and was written with a specific focus on information about state services for small businesses. The guide has been written to be web friendly, there will be many references to web sites throughout the guide. These web sites will provide you with the most up to date information and other valuable data to assist you and your new business. However contact information is included to reach assistance by phone.

On behalf of the sponsors of this document, the Delaware Economic Development Office, the Delaware Division of Revenue, the U.S. Small Business Administration and the Delaware Small Business Development Center Network please enjoy the Small Business Guide and Resource Book with our best wishes.

Sincerely,

Ruth Ann Minner
Governor

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Section One: The FAQs About Starting a Small Business in Delaware
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FAQ #1: What does it take to start a small business?

The first thing to consider is the type of business you plan to operate. Examine your interests and abilities, as well as your previous business experiences. Research the industry, as well as potential

locations to determine whether your proposed business is feasible in those areas. Do as much research as possible BEFORE you invest money into your business. Operating your own business may require you to use personal assets and to invest a minimum of 60-70 hours a week of your time.

Discuss your business plans with your family. Decisions you make about operating a business may have a significant impact on them. It is important that your family be as committed to your business as you are. Owning and operating a small business can be tremendously fulfilling and rewarding, but it is not easy.

Resources listed in this book can provide you with assistance during the formative and growth stage of your business. One such resource is the Small Business Development Center; a one-stop shop for helping you with your business. See Section Three for additional resources.

FAQ #2: What kind of business entity is right for me?

Choose the type of organization that is best for you: sole proprietorship, corporation, sub-chapter “s” corporation, limited liability company or partnership. There are advantages and disadvantages with each one. It is highly recommended that you consult an accountant and an attorney. Accountants help with tax questions; attorneys advise with respect to liability and other legal issues. For specific information on the different types of business entities, see Section Two.

FAQ #3: What is an Employer Identification Number (EIN) and do I need one?

Every business needs a tax identification number, whether it is an Employer Identification Number (EIN) or a Social Security Number (ID). Employers, sole proprietors, corporations, partnerships, nonprofit organizations, trusts, estates of decedents, government agencies, and other business entities use EINs. Businesses with employees absolutely must have an EIN; whereas, sole proprietors with no employees have the option of using their social security number as the tax ID number. This number is needed for paying your employees’ withholding taxes and depositing these funds with the IRS. In addition, the number is used for tracking social security and unemployment payments from your business.

Your EIN can be acquired from the IRS using Form SS-4. This form can be obtained from the Internal Revenue Service by calling 800-829-3676 or by visiting your local IRS, Social Security Administration office, or the IRS web site at www.irs.gov. More information on EIN’s is available in IRS Publication 1635, *Understanding Your EIN*. See Section Two - Register with IRS.

FAQ #4: Are there special requirements if I have employees?

If your business has employees, you are responsible to withhold federal, state and local taxes from your employees’ pay. The federal portion of employment taxes falls into three categories: 1) Federal Income Tax Withholding, 2) Social Security and Medicare Taxes, and 3) Federal Unemployment Taxes. The Social Security taxes are 6.2% of wages with a maximum of \$80,400 that is paid by the employer. Medicare Taxes are 1.45% of wages with no maximum. There is also a requirement for the employer to pay federal and state unemployment taxes and obtain worker’s compensation insurance. More information is available in Section Four.

FAQ #5: Do I need a business license or permit to get started?

A business license is necessary if you wish to do business in the State of Delaware. This license requires a fee which varies according to the business type you've chosen. If you do not have a business license, you will be operating illegally in the State and will be subject to stiff penalties levied by the State Division of Revenue. Further, without a business license, you cannot sue in small claims court to collect money that is owed your business.

Some professional licenses may require testing, and criminal background checks, and certain business activities may require a special license. See Section Five for more information.

FAQ #6: What kind of taxes will I have to pay?

As a small business operator, you pay personal income taxes and business taxes. There are five types of business taxes: Income Taxes, Self-Employment Taxes, Employment Taxes, Gross Receipts and Excise Taxes. (See chart on federal taxes in Section Five.) The amount and type of taxes you must pay vary according to the type of business entity you select, the amount of gross revenue, and the number of employees. It is very important to factor the payment of taxes into your business planning and financial forecasts. Using an accountant to help determine your tax liability is highly recommended. You can also reference IRS Publication 505, *Tax Withholding and Estimated Taxes*.

FAQ #7: Are there any special programs for Minority and/or Disadvantaged Businesses?

Yes, such businesses are encouraged to contact the Office of Minority and Women Business Enterprise (M/WBE). Its primary responsibility is the fostering of continued economic development and growth for minority and women owned businesses in Delaware. To qualify as a DBE, your firm must meet the eligible standards established in Part 26, Title 49 of the Code of Federal regulations, and the Small Business Administration's 8(a) Program. The department evaluates the information you submit on a Certification Application to determine compliance with the criteria.

In addition, the City of Wilmington has a Disadvantaged Business Enterprise (DBE) Certification Program for businesses that are at least 51% owned by a minority and/or woman small business entrepreneur. The program is offered through the City of Wilmington, Minority Business Enterprise Office (MBO). The Minority Business Office maintains a database of certified minority and women-owned businesses that can be used as a referral by city purchasing officials prime contractors, private companies, organizations, and others.

In terms of contracting opportunities, the City of Wilmington has a program designed to encourage city-certified DBEs to participate in the city's procurement process. For example, prime contractors are required to make a documented "good faith effort" to solicit DBE participation in city construction projects. Many private sector companies that wish to do business with minority and women-owned businesses accept the certification.

See Section Three for more information about organizations and their programs to assist Minority and/or Disadvantaged Businesses.

FAQ #8: What is a Business Plan and do I really need one?

A business plan is the blueprint to your success. By stepping through the process of writing a business plan, you will address most issues that confront new small businesses. The business plan is a flexible guide that will help you manage different operational areas of your business. You'll find it's an

invaluable asset when you are ready to apply for financing. Many new, small businesses make a significant mistake by not taking the time to develop a business plan.

A good plan addresses the Who, What, When, Where, Why and How of your new endeavor. It forces you to examine your entire business concept, enabling you to find the areas that need rethinking. The plan will help you evaluate and define your goals logically and provide a road map to follow as you proceed to success.

The business plan is of the utmost importance when communicating with bankers, investors and others. Therefore, be specific about the needs of your business. When looking for financing, provide details about your business that will convince lenders or investors that their investment in your business is a sound decision. The Delaware Small Business Development Center (SBDC) and Senior Corps of Retired Executives (SCORE) offer classes that will help you develop your business plan. See section Three.

FAQ #9: Who can help me get started?

There are a number of organizations and programs that can assist Delaware small businesses. For the most part, the services they provide are FREE! You are encouraged to seek out the organizations that are best suited to help your small business. See Section Three for descriptions.

In addition, web sites are referenced throughout this document. They provide a wealth of information and include links to other web sites. See Section Six for a complete list.

FAQ #10: Where can I get financing for my new small business?

There is no such thing as “free money” for small businesses. However, there are a number of specially designed loan programs for Delaware small businesses. These programs can provide financing in four different funding ranges:

Up to \$25,000,	\$25,000 to \$50,000,
\$50,000 to \$250,000	\$250,000 and above.

Financing programs typically require cash contributions from the business, collateral from the business owner and/or a personal guarantee. See Section Five for a list of financial resources.

FAQ #11: What about Insurance?

Businesses should obtain several types of insurance. The most important of these is liability insurance without which the business and owner's assets are at risk in the event of a lawsuit. Depending upon the type of business you own, you should consider the benefits of having property insurance, auto insurance, and life insurance.

Generally, when large loans are issued to a business, the owner is required to have life insurance coverage, especially if he or she has personally guaranteed the loan.

Worker's compensation insurance and unemployment insurance are necessary if you have employees.

You may want to consider health insurance for yourself and your employees.

If you use your home or personal vehicles for business purposes, check your auto insurance policy to see if your coverage permits business use. Sometimes personal auto insurance policies do not cover business use at all -- or do so with limitations. Please see your insurance provider for your insurance needs. See Section Four.

Section Two: Steps to Starting a Business

Different Forms of Business Structures

There are four basic legal forms that are used for operating a business: sole proprietorships, partnerships, corporations and limited liability companies. Other forms of business organization include limited liability partnerships and joint ventures. Each form has its own advantages and disadvantages depending upon the nature of the business and the prospective owner's plan of operations.

It is important that you consider each form of business organization and carefully evaluate the most appropriate structure for your business. Proper planning can prevent difficulties caused by an unsuitable legal structure, although, it is possible for a business to start with one organizational form and change to another. We recommend that you seek guidance from an accountant and an attorney early on to determine the form of business organization that best suits your business. The legal form under which a business operates can greatly impact the owner's tax obligation, liability for business debts, control in business decision making, and financing alternatives.

Sole Proprietorship

The sole proprietorship is a business that is owned by a single individual. It is the easiest legal structure to adopt and the most common form of business organization. This type of business has no existence apart from the owner. Its liabilities are the owner's personal liabilities because all assets are personally owned, even though they may not be used for the business. Therefore, the owner undertakes the risks of the business. The income and expenses of the business are included on the owner's return. For more information on sole proprietorship, see IRS Publication 334, *Tax Guide for Small Business*.

Advantages

- Easily created and terminated
- Controlled solely by owner
- Owner receives all the profits
- Minimum legal restrictions
- Profits are taxed only once

Disadvantages

- Owner is liable for all business debts
- Limited ability to bring in additional owners
- Capital limitations: limited to assets of the owner
- Business is completely dependent on one individual

Partnership

A partnership is the combining of one or more individuals or businesses as co-owners under a partnership agreement. Each co-owner or partner becomes a contributor of money, labor, property or

skills. As a partnership, each one shares in the profits and losses of the business; therefore, a written and signed partnership agreement is necessary. The agreement determines the powers, liabilities, and authorities of each of the partners. A partnership may have general and limited partners.

General partners actively participate in the management of the business and have unlimited liability. The income of the general partnership is directly taxable to individual partners based on proportionate interest each one has in the company.

Limited partners --or investors-- cannot actively participate in the management of the business and have limited liability. Limited partnerships must have at least one general partner who is responsible for all debts, liabilities, and obligations of the firm. Generally, the liability of the other partners is limited to the amount of the investment by each partner. Both general and limited partners share in the profits and losses of the business. For more information, see IRS Publication 541, *Partnerships*.

Advantages

Easy to organize
Combined financial resources
Combines the skills of two or more persons
Income is taxable only once at the partner's tax rate

Disadvantages

General partners have unlimited liability
Change in partners could terminate the partnership
Authority for decision making is divided
Difficult to sell or transfer

Corporation

A Corporation is a separate legal entity that has duties, powers and responsibilities in and of itself. Usually, this means that when individuals act on behalf of a corporation, these actions are attributable to the corporation and not the individual. This limits the liability of the owners. Incorporation, however, will not exempt you from personal responsibility for business loans. Your banker, and possibly your suppliers and landlord, will require you to guarantee repayment personally and will ask you to pledge your personal assets as collateral. The profits of a regular corporation are taxed twice if distributed in the form of dividends, at the corporate as well as the individual level.

There are two types of corporations: regular or "C" corporations and Subchapter "S" corporations. A regular corporation must file a tax return each year in order to pay tax on the corporation's income. After paying the taxes, profits are given to stockholders. Each stockholder must then pay tax on the amounts they receive. As for the "S" corporation, it has the legal benefits of a regular corporation as it enjoys limited liability and the tax benefits of a partnership as it avoids the corporate federal income tax. Although it files a tax return, the income and expenses of the "S" corporation are divided among its stockholders, who report the profits on their individual returns. It is taxed only once. Because the "S" corporation avoids double taxation while providing stockholders the protection of a regular corporation, this form of organization is popular among small businesses. However, Subchapter "S" status may create disadvantages that should be considered. Please seek advice from an attorney if you are considering this option. You can also obtain more information in IRS Publication 542, *Corporation*, and Form 2553, *Election by Small Business Corporation*.

Advantages

Stockholder liability is limited to the amount of his investment
Business continues to exist after the death of an owner
Transfer of ownership is easily done by the sale of stock
Able to obtain capital by selling stock to investors
Employee benefits can be created more easily and possess tax advantage

Disadvantages

Corporation's income may be subject to double taxation
It is more expensive to organize a "S" corporation
Corporations are heavily regulated
Stockholders holding the majority of stock have control

Limited Liability Company

A Limited Liability Company (LLC) is a relatively new form of business organization that incorporates components of both a partnership and a corporation. The Internal Revenue Service has issued “Check the Box” regulations which permits an LLC to choose how it wishes to be taxed. The LLC can elect to be taxed as a corporation, to be disregarded as an entity or to be treated as a partnership in some cases. IRS Form 8832, Entity Classification Election, can be used. Special rules apply to LLC’s who do not make an election. Please see Division of Revenue Regulation 98-1 and Addendum for State treatment of LLC’s.

Advantages

Owners of an LLC have limited liability
An LLC can have multiple owners
Taxable income or losses will generally pass through
LLCs are simpler to maintain than corporations

Disadvantages

Failure to make an election, may result in the loss of the protection of limited liability of an LLC
It is essential that you seek legal and accounting before electing this form of business

Limited Liability Partnerships

Current limited liability partnership (LLP) laws provide for an entity similar to an LLC. It has limited liability that can be formed simply by registering an existing partnership.

Joint Venture

A joint venture is a partnership of one or more sole proprietorships, partnerships, or corporations for the purpose of pursuing a specific business activity or transaction. The main advantage of a joint venture is that existing businesses can join together without having to form a new entity and without having any continuing obligations to each other beyond the joint venture agreement. The primary disadvantage is that parties of the joint venture are liable for the actions of each partner.

How to Set-Up the Business Entity

This section can save you time and trouble. The list given below includes what you need to properly begin a business in Delaware. If you follow each step, you will be registered with all of the correct tax authorities, and you will receive all of the proper forms at the proper time. As you follow the steps in sequence, you will always have the needed information for the next steps. Please consult your tax and legal advisor before proceeding.

Step 1 - Determine business entity type

Choose the type of organization that is best for you: sole proprietorship, corporation, sub-chapter “S” corporation, limited liability company or partnership. For assistance with tax or accounting questions, contact your accountant. For legal questions, see your attorney. For information on incorporating or forming your business entity in Delaware, call the Secretary of State, Division of Corporations Office at (302) 739-3073 or go to www.state.de.us/corp/index.htm.

Step 2 - Determine legal status

Except for operating as a sole proprietorship, you must form your business entity under the laws of a state. For information concerning forming your business entity in Delaware, call the Secretary of State, Division of Corporations Office at (302) 739-3073 or go to www.state.de.us/sos/corp.htm

Step 3 – Register with Prothonotary Office

By law, any non-incorporated business entity (sole proprietorship, or partnership) must also register with the Prothonotary at the local county office of the Superior Court. This registration must be done separately in each county where you do business. Before registration you need to verify that your chosen name is not in use. For more information on trade names, go to the web site www.courts.state.de.us/superior/formspublic.htm. Once verified, take a \$15 check, identification and a notarized form to the respective prothonotary offices. This protects your trade name from use by others within each county. In case of a lawsuit, a non-registered business could be fined \$500 and lose use of the name to whoever registered it properly. Some banks require registration of names by their business customers.

New Castle (302) 577-6470

Kent (302) 739-3184

Sussex (302) 856-5740

Step 4 – Register with the Internal Revenue Service

To get an IRS Employer Identification Number (EIN), call or visit your local IRS office, or call 1-800-TAX-FORMS (1-800-829-3676) or go to www.irs.com. Ask for form SS-4. (This is not a requirement for sole proprietors with zero employees; they can use their social security numbers.) It will take the IRS approximately six weeks to reply after they receive the application. To save time, you can get your EIN by telephone. After you have received the SS-4 and completed it, call the IRS Tele-Tin on weekdays from 7:30 a.m. - 2:30 p.m. at 215-516-6999. They will ask you for the information on your SS-4 and will request that you write the new number on the form, sign it, and mail it back to the IRS. Be sure to make a copy before mailing.

Step 5 - Determine if you will have employees

If you operate your business as a sole proprietorship or as a partner in a partnership, you are not considered an “employee.” You are personally responsible for paying estimated taxes to the IRS and the Division of Revenue. In the event that you decide to have employees, you need to register with the Division of Revenue, the Department of Labor and the IRS. When hiring employees, they must fill out Form I-9 and Form W-4. If your employees qualify for Advanced Payments of Earned Income Credit, they must also give you a Form W-4. Form I-9 verifies that an employee is legally eligible to work in the United States. If you have questions regarding Form I-9, contact INS at 800-375-5283. If you want the IRS to determine whether a worker is an employee, file Form SS-8, *Determination of Worker Status for purposes of Federal Employment Taxes and Income Taxes Withholding*, with IRS. For more information, see Publication 15, *Employer’s Tax Guide*.

Step 6 - Register with Division of Revenue and the Department of Labor

In addition to registering with the Division of Revenue as a withholding agent, you will need to obtain a business license to conduct an active trade or business. To register and apply for a business license, request Form CRA, Combined Registration Application or go to www.state.de.us/revenue.

If the business is located in a town or city, call the local government to determine local business requirements. See Section 6 for more information about local business license requirements.

If the business will have employees, call the State Unemployment Insurance Office and get an UC-1 form required for unemployment insurance. The telephone number is (302) 761-8446 or go to www.delaworks.com/divisions.htm. If you are a corporation (C or S), also ask for a copy of UIS-39, "Coverage of Corporate Officers."

Obtain Workman's Compensation Insurance for your employees through an independent insurance agency. Prepare an employee policy manual.

Step 7 - Satisfy Local Zoning and License Requirements

Before starting a new business, you should contact the local zoning or planning office. They can determine if your activity is permitted at the chosen location. Many cities and towns also require a business license to operate in the respective jurisdiction. The City of Wilmington imposes a net profit tax on businesses located within the city. It is suggested that you contact the local government office in the area where you intend to conduct business.

Step 8 - Contact other State Agencies

The Division of Revenue business license is not a regulatory license nor does it attest to the workmanship of the licensee who performs the listed activity or the quality of goods sold. The Division of Professional Regulation does issue regulatory licenses for some types of businesses that require certification of the applicant. Additionally, other Delaware agencies require licensing and certification of selected business activities such as Division of Public Health and Department of Natural Resources and Environmental Control (DNREC). For help determining what permits you are required to obtain you can contact the Development Advisory Service (DAS). The DAS is comprised of representatives of Dept. of Natural Resources and Environmental Control, Dept. of Health and Social Services, Dept. of Transportation, Dept. of Agriculture, Dept. of State, the Public Service Commission, The State Fire Marshal, and the Delaware Economic Development Office. DAS can arrange a meeting with you that would involve the representatives from all of the agencies listed above. Discussion would include permits that are required, standards that need to be met and procedures you should follow. To arrange for a meeting, call (302) 739-6400.

Step 9 - Other Registration Considerations

You should register your trademark(s) with the U. S. Patent & Trademark Office (PTO) if your business uses a name or symbol you want to protect, especially if it may someday sell beyond the local area. In this way, you maintain your common law rights to the name, even if it is not a federally registered trademark. To be eligible, your business must engage in interstate commerce. For example, you qualify if your goods and services are sold over state lines or if any customers come from out of state to purchase these goods and services. The PTO number is (800)-786-9199. Their web site is a great source of information: www.uspto.gov.

If you plan to use the Internet to sell or market your products and services you will want to register your domain name. There are a variety of ways to search and see if a name is registered to someone else and reserving it if it is not. One suggestion is www.networksolutions.com.

Section Three: Small Business Assistance

Organizations that Can Help You Get Started

Delaware Small Business Development Center

The Small Business Development Centers (DSBDC) will answer your questions about managing a small business. The DSBDC provides information, training and free one-on-one business advice for

small business owners and those interested in starting a business. Free classes are offered throughout the state on the basics of starting a business. After that, experienced business advisors can help with business plans, cash flow projections, marketing tactics and loan packages. Web site: www.delawaresbdc.org. The DSBDC Government Marketing Assistance Program can help your business locate, research and bid on government contracts. Call (302) 571-1555 or check out the web site: www.delawarecontracts.com.

*Newark: Technology Center &
Administrative Headquarters*

University of Delaware
One Innovation Way
Newark, DE 19711
Phone: (302) 831-1555
Fax: (302) 831-1423

Dover Center

Delaware State University
146 S. Governors Ave.
Dover, DE 19904
Phone: (302) 678-1555
Fax (302) 730-5077

Wilmington Center

University of Delaware
1318 N. Market St.
Wilmington, DE 19801
Phone: (302) 571-1555
Fax: (302) 571-5222

Georgetown Center

Delaware Technical and Community College
103 W. Pine St.
Georgetown, DE 19947
Phone: (302) 856-1555
Fax: (302) 854-697

* The DSBDC is a partnership program with the U. S. Small Business Administration.

Central Delaware Economic Development Council

The Central Delaware Economic Development Council assists small businesses located in Kent County with demographic and community information, reference materials, project assistance as well as referrals to other business organizations and businesses in central Delaware.

9 Loockerman Street, Suite 2B
Dover, DE 19901
Phone: 302-678-3028
Fax: 302-678-0189
Web site: www.conway.com/de/cdedc

Wilmington Economic Development Corporation (WEDCO)

WEDCO provides small business owners with access to capital, financial counseling and other types of support. Special programs for women, veteran and minority owned businesses, as well as for businesses in targeted geographic areas, are also available. Established in 1979, WEDCO is a unique non-profit organization that provides assistance to small business entrepreneurs who are seeking to establish, expand or relocate their operations. WEDCO has provided assistance to hundreds of small business owners and helped to create thousands of jobs. Originally the organization was designed to help Wilmington-based businesses only. But based on its track record, many of WEDCO's programs have been expanded to include businesses in surrounding New Castle County.

Community Service Building
100 West 10th Street, Suite 706

Wilmington, DE 19801
Phone: 302-571-9088

Fax: 302-652-5679
Web site: www.wedco.org
City of Wilmington
Minority Business Enterprise

302-571-4093
Micro Loan Program
302-571-5884

First State Community Loan Fund

The First State Community Loan Fund (FSCLF) promotes and provides creative opportunities for access to capital for small businesses throughout Delaware. FSCLF offers loans of \$300 to \$50,000 for equipment, inventory, real estate and working capital. The FSCLF is a U.S. Treasury certified not-for-profit Community Development Financial Institution.

FSCLF
Community Services Building
100 West 10th Street
Suite 1005
Wilmington, DE 19801
Phone: 302-652-6774
800-652-4779
Fax: 302-656-1272
Web site: www.firststateloan.org

Delaware State Chamber of Commerce Small Business Alliance

The Delaware State Chamber's Small Business Alliance was created to enhance the competitiveness of the small business community by providing cost-effective services, information, legislative advocacy and money-saving benefits to companies with fewer than 150 employees. With 2,800 members statewide, the alliance is the largest small business organization in Delaware.

1201 N. Orange Street, Suite 200
Wilmington, DE 19899
Phone: 302-576-6578
Fax: 302-654-0691
Web site: www.dscc.com

New Castle County Chamber of Commerce

The Small Business Department at the New Castle County Chamber of Commerce serves as a vital resource for the small and mid-sized business community. Through executive roundtables, networking breakfasts, Chamberworks seminars, business publications, and one-on-one counseling, the New Castle County Chamber keeps its members informed and helps them to grow their businesses.

630 Churchman's Road
P.O. Box 11247
Wilmington, DE 19850-1247
Phone: 302-368-5700 Ext. 235
Fax: 302-737-8450
Web site: www.nccccc.com

Delaware Manufacturing Extension Partnership

The Delaware Manufacturing Extension Partnership (DEMPEP) is a statewide non-profit resource organization offering affordable, confidential technical and business solutions to the almost 1,000 small and medium sized manufacturers of Delaware. DEMPEP provides experienced technical field specialists and consultants who specialize in solving problems that are unique to manufacturers.

400 Stanton/Christiana Rd.

Newark, DE 19713

Phone: 302-283-3131

Fax: 302-283-3137

Web site: www.demep.org

Service Core of Retired Executives (SCORE)

SCORE provides one-on-one counseling for current business owners and those who are thinking about starting a small business. The organization also offers low-cost business skills workshops throughout the state provided by volunteers who are retired executives and entrepreneurs.

824 N. Market St., Suite 610

Wilmington, DE 19801

Phone: 302-573-6552

Fax: 302-573-6092

Web site: www.scoredelaware.com

Delaware Innovation Fund

The Delaware Innovation Fund is a seed and early-stage venture capital firm established as a public/private sector initiative to assist Delaware companies in the critical pre-seed and early stages of formation. The fund provides financial and technical assistance to Delaware-area based businesses which have the potential to launch innovative products and processes into national markets, to create new jobs, and to make a significant contribution to the economic diversity and the technology base of Delaware's communities. They are the local organizers for Early Stage East one of the largest early stage venture capital fairs in the Mid-Atlantic. Web site: www.earlystageeast.org

Three Mill Road, Suite 201

Wilmington, DE 19806

Phone: 302-777-1616

Fax: 302-777-1620

Email: Info@difonline.com

Web site: www.delawareinnovationfund.com

Sussex County Economic Development Office

The Sussex County Economic Development Office is committed to promoting the elimination of unemployment, poverty and sub-standard housing by attracting new businesses, encouraging expansion of existing businesses in Sussex County.

West Annex Office Building

P.O. Box 589
Georgetown, Delaware 19947
Phone: 302- 855-7770
Fax: 302- 855-7773
E- mail: econdev@sussexcounty.net
Web site: www.sussexcounty.net

Small Business Administration (SBA)

The mission of the U.S. Small Business Administration (SBA) Delaware District Office is to aid, counsel, assist and advocate the interests of the state's small business community, utilizing various financial, investment, procurement, as well as business development programs and resources. This group publishes a Small Business Resource Guide with key contact numbers for organizations that are available to assist in the start-up and development of a small business.

824 N. Market St, Suite 610
Wilmington, DE 19801
Phone: 302-573-6382
Phone: 302-573-6294
Fax: 302-573-6060
Web site: www.sba.gov

Small Business Resource Partnership

This organization is a consortium of state and federal government agencies and non-profit organizations that assist the community with programs that benefit small and growing businesses. The mission of the Partnership is to provide Delaware small businesses with easy access to providers of business information, services and assistance.

Web site: www.state.de.us/sbrp

Family Business Center

The Family Business Center at the University of Delaware is a non-profit organization dedicated to promoting the well being and understanding of families in business. The objective of the FBC is to educate, inform and encourage its members in areas of unique interest to family owned businesses through a stimulating program that provides the best sources of information and professional advice available.

(302) 831-6823
Fax: (302) 831-0895
Web site: www.buec.udel.edu/fbc

Capital Works

The Capital Works is a nationally and internationally recognized program for micro-enterprise (businesses with 50 or less employees). This partnership between the First State Community Loan Fund and the YWCA of New Castle County provides training, technical assistance, access to markets, networking and loans throughout Delaware. Loans range from \$300 - \$15,000.

FSCLF
Community Services Building
100 West 10th Street
Suite 1005
Wilmington, DE 19801
Phone: 302-652-6774
800-652-4779
Fax: 302-656-1272
Web site: www.firststateloan.org

YWCA of NCCC
233 King Street
Wilmington, DE 19801
Phone: 302-658-7161
Fax: 302-658-7548

Delaware Business Climate Advantages

- No state or local general sales tax
- No state or local personal property or inventory tax
- No fixtures tax
- No unitary tax
- No state-level real property tax and local real property taxes which are among the lowest in the United States

During the last several years Delaware reduced its personal income taxes and business taxes and at the same time maintained low local property tax rates. Worker's compensation rates and unemployment insurance costs have also been kept below national averages.

Delaware Tax Incentives

Targeted Industry Tax Incentives

Corporate income tax credits, gross receipts tax reductions and public utility tax rebates are available to: (a) manufacturers; (b) wholesalers; (c) laboratories or similar facilities used for scientific, agricultural or industrial research, development or testing; (d) computer processing services; (e) engineering services; (f) consumer credit reporting services; (g) aviation services; (h) wholesaler of computer software; (i) telecommunication services; (j) any combination of these activities; and (k) the administration, management or support operations including marketing required for any of these activities.

Expansions With Employment

The program requires that a taxpayer in a "targeted industry" invests a minimum of \$200,000 in a new or expanded facility and hires a minimum of five new employees. The program provides corporate income tax credits of \$400 for each new qualified employee and \$400 for each \$100,000 investment. During the 10-year life of credits, the credits may not exceed 50 percent of the company's pre-credit tax liability in any one-year. However, unused credits may be carried forward.

Expansions Without Employment

Any taxpayer engaging in the activities of manufacturing or wholesaling, whose investment in the new or expanded facility equals or exceeds the greater of: (a) \$1 million or (b) 15% of the unadjusted basis of the facility, is eligible for corporate income tax credits. The amount of the credit is equal to 75% of the credit described above, subject to the carry-over provisions, and further limited to a maximum

lifetime credit of \$500,000. In order to qualify for this credit, the employer must maintain employment at the expanded facility equal to 85% of the wages paid during the previous year.

Replacement Facilities

Investment in replacement facilities are considered qualified investment for the corporate credits and license gross receipt reductions to the extent that the investment in the replacement facility exceeds the greater of: (1) 150% of the unadjusted cost basis of the facility which is being replaced or (2) 100% of the market value of the facility being replaced.

Gross Receipts Tax Reductions

In addition to the corporate income tax credits, qualifying firms may reduce their gross receipts taxes. Taxes are reduced on a 10-year declining scale beginning with a 90% reduction during the first year of operations and ending with a 5% reduction in the tenth year. Firms qualifying for credits under the “Expansions Without Employment” qualify for the Gross Receipt Reductions, but are limited to 75% of such reductions.

Public Utility Tax Rebates

Firms meeting the criteria for targeted industry tax credits are eligible for a rebate of 50% of the public utilities tax imposed on new or increased consumption of gas and electricity for five years. The public utilities tax rate is 4.25%. The utility tax on the consumption of electric by qualified manufacturers and food or agribusiness processors is reduced from 4.25% to 2%. Additionally, electric and gas consumed in the manufacture of automobiles is exempt from the utility tax.

Green Industries

Businesses can increase profits and gain a competitive edge through recycling resources. The Green Industries effort of the Delaware Economic Development Office (DEDO), helps businesses find and recycle their waste materials. A recycling directory is available.

In addition to helping companies save money and conserve natural resources like oil, water, wood and aggregates, DEDO also works to conserve Delaware’s land by helping companies locate properties that may be environmentally challenged. Also known as Brownfields, these sites are typically located near prime transportation networks and have existing infrastructure. To overcome the additional challenges inherent with Brownfields redevelopment, DEDO offers matching grants for investigating, and if necessary, cleaning up these sites.

Delaware Economic Development Office (DEDO)

99 King’s Highway

Dover Del 19901

(302) 739-4271

Web site: www.state.de.us/dedo

Manufacturers may be entitled to claim credits against the Delaware corporate income tax for the following activities:

Category A

- \$400 for each 10% increment in waste reduction, with a minimum total reduction of 20% for chemicals reported under the Toxics Release Inventory, or 50% for other wastes

Category B

- \$650 for each new employee, plus \$650 for each \$100,000 qualified facility investment for companies whose inputs are comprised of at least 25% (by weight) recycled materials removed from Delaware's solid waste stream

Category C

- \$650 for each new employee, plus \$650 for each \$100,000 qualified facility investment for companies who are engaged in the processing of materials removed from Delaware's solid waste stream for resale as an input to manufacturers.

Category D

- \$650 for each new employee, plus \$650 for each \$100,000 qualified facility investment for companies that collect and distribute recycled materials, and/or materials prevented from entering Delaware's solid waste stream for the purpose of recycling.

Companies that qualify under category B, C, or D can apply for enhanced tax credits from \$650 to \$900 if they locate or expand their operations within a targeted census tract.

Brownfield Facility Credit

Any taxpayer that meets the qualification for a facility placed in service and locates the facility on a "brownfield" site may be eligible for a credit against the Delaware corporate income tax.

"Brownfield" means any vacant, abandoned or underutilized real property, the development or redevelopment of which may be hindered by the reasonably held belief that the real property may be environmentally contaminated, as certified by the Department of Natural Resources & Environmental Control. A "qualified facility" is any business, trade, commerce, profession or vocation carried on or in connection with the "brownfield" site. The amount of the investment in this facility shall include all amounts expended by the taxpayer for environmental investigation and remediation of the "brownfield."

Any corporate taxpayer hiring new permanent and full time employees at a qualified "brownfield" site is allowed a credit equal to the sum of \$650 times the number of qualified employees, plus \$650 times each \$100,000 (or major fraction thereof) of qualified facility investment. If the "brownfield" site is located in a targeted area, the credits are increased to \$900 times the number of qualified employees plus \$900 times each \$100,000 unit of investment.

Targeted Area Tax Credits

Corporate Income Tax Credits

Firms which qualify for targeted industry credits and locate in a targeted area, qualify for corporate income tax credits of \$650 for each new employee and \$650 for each new \$100,000 investment. Targeted areas are defined as: (a) real property that is owned by any level of government or any of their agencies; (b) real property owned by a non-profit organization which is organized and operated solely for the purpose of fostering economic development; (c) real property which has been approved as a Delaware Foreign Trade Zone and (d) 30 targeted Census tracts throughout the State. (Contact the Division of Revenue to determine if your business is located in a targeted census tract. For a general map type "Delaware Targeted Census Tracts" into your search engine.)

Gross Receipts Tax Reduction

In addition to the corporate income tax credits, qualifying targeted industry firms will not be subject to gross receipts taxes for the first five years. The gross receipts taxes will be reduced on a declining

scale for a period of ten years beginning with a 90% reduction on the sixth year and ending with a 5% reduction the 15th year.

Commercial, Retail Business Tax Credits and Reductions

Selected commercial and retail businesses that locate in one of the 30 targeted Census Tracts and meet the minimum investment and employment criteria qualify for corporate income tax credits of \$400 for each new qualified employee and \$400 for each \$100,000 investment. These businesses also qualify for the 10-year reduction in gross receipts taxes.

How to Apply for Targeted Industry/Targeted Area Tax Incentives

Before any corporate income tax credits or license gross receipts reductions can be taken for the activities described above, the business must apply to the Division of Revenue by completing Form 402AP, Application for New Business Facility Tax Credits. The Division of Revenue will review the application and arrange for a site visit of the facility if necessary.

If the facility is approved, Form 1100CR, Worksheet for Credit for Approved New Business Facilities, will be used to take the corporate income tax credits and/or Form 402LTR, Computation Schedule for Claiming License Tax Reduction for Approved New Business Facility Gross Receipts, to take the reduction in license gross receipts taxes. All of the necessary forms are available at the Division of Revenue. Web site: www.state.de.us/revenue.

Neighborhood Assistance Act Program Tax Credits

This program offers up to a 50% tax credit to Delaware businesses that invest in economic development, housing development, education, job training or crime prevention in impoverished neighborhoods. Businesses partner with non-profit tax exempt Neighborhood Organizations, Community-Based Development Organizations and Community Development Corporations throughout the state of Delaware to revitalize impoverished neighborhoods. Contact the Workforce Development Unit of the Delaware Economic Development Office at (302) 577-8478 or (302) 739-4271. Web site: www.delawareworkforce.com/publications/nap/community.htm

Programs That Help Small Businesses

Voluntary Tax Compliance Program

The Division of Revenue has developed a program to assist business taxpayers in complying with their filing requirements. New licensees are sent a “welcome letter” which advises them when their first returns are due, provides Tax Tips about their respective business, and offers the personal assistance of a representative to answer questions and resolve tax processing issues. Call (302) 577-8447.

Permitting Assistance

Health Systems Protection Section is the business permitting and professional certification arm of Division of Public Health, standing ready to assist those desiring to start-up or expand operations in a number of industries as well as practicing professions within those industries. They include: Body Art, Cosmetology, Drinking Water, Food Establishments, Retail Ice Manufacturing, Non-alcoholic

Beverage Bottling, Lead Removal, Pharmacy, Radiation Equipment and Technicians, Recreation Camps, Swimming Pools and Spas and more.

For more information call (302) 739-4731 or visit the Health Systems Protection Section's web site: www.state.de.us/dhss

Department of Natural Resources & Environmental Control (DNREC) Pollution Prevention and Compliance Assistance Program is a central point of contact for general questions about permitting and other environmental requirements. They offer confidential help in finding the right people to talk to about permitting questions and pollution prevention. They also operate the Development Advisory Service (DAS) for projects involving more than one permit or branch within DNREC.

Small Business and the Clean Air Act

A Small Business Assistance Program is available confidentially through the Pollution Prevention and Compliance Assistance Program to help small businesses understand and comply with the requirements of the Clean Air Act. The small business Ombudsman/Advocate is the initial contact within this non-regulatory program, which offers:

- Industry specific compliance information.
- On-site visits to determine compliance status and if necessary, a plan of action to achieve compliance.
- Input at the legislative level on matters that impact small business.

Delaware Department of Natural Resources and Environmental Control
89 Kings Hwy
Dover, DE 19901
(302) 739-6400
Email at kfinch@dnrec.state.de.us

Pollution Prevention

The Department of Natural Resources Pollution Prevention Program has developed a series of Pollution Prevention Guides for various types of businesses. Because the most effective way to minimize losses associated with waste is to avoid producing the waste in the first place.

Delaware Department of Natural Resources and Environmental Control
89 Kings Hwy
Dover, DE 19901
(302) 739-4403
Email at bpalmer@dnrec.state.de.us
Web site: www.dnrec.state.de.us/dnrec2000/P2/PPGuide.htm

Minority Business Programs

The Office of Minority and Women Business Enterprise's (M/WBE) primary responsibility is the fostering of continued economic development and growth for minority and women owned businesses in Delaware. In an effort to ensure that women and minority owned businesses take advantage of the services and technical assistance offered by the state, the office works with other state agencies and organizations to develop a favorable climate for entrepreneurship. The office sponsors activities

ranging from training workshops for agencies, regional workshops for minority and women-owned businesses to orientation sessions for newly certified minority-owned business enterprises. The M/WBE office assists government agencies to use certified minority and women-owned businesses when purchasing and contracting for the state. The office serves as a state clearinghouse for information and data regarding concerning the current number of WBE/MBE's who have participated in the state procurement process. They makes recommendations to the Governor, the General Assembly and all state departments and agencies regarding ways to improve programs and activities that are intended to encourage the participation of WBE/MBE businesses in the state. The development of an online directory of certified minority and women business enterprises is underway.

Office of Minority and Women Business Enterprise (M/WBE)

Mary Schreiber, Director

Dept. of Administrative Service

410 Federal Street

Margaret O'Neill Bldg.

Dover, DE 19901

(302) 739-7830.

e-mail address: mschreiber@state.de.us

website: <http://www.state.de.us/omwbe/>

The Delaware Department of Transportation, in an effort to encourage businesses owned and controlled by disadvantaged persons to participate in transportation-related contracts, has developed a certification application to determine whether your firm is eligible to participate. To qualify as a Disadvantaged Business Enterprise (DBE), a firm must meet the eligible standards established in Part 26, Title 49 of the Code of Federal regulations, and the Small Business Administration's 8 (a) Program. Upon receipt of the Certification Application, the Department will evaluate the information submitted to determine compliance with the criteria. It is therefore imperative that an application and any attached documentation provide evidence of ownership and control of the firm. Only those firms, which have been certified under this process, can be considered for participation in the Departments DBE Program.

DelDOT's DBE Program

P. O. Box 778

Dover, Delaware 19903.

(302) 760-2035

Fax (302) 739-2254

Web site: www.deldot.net/business/index.html

The City of Wilmington has a Disadvantaged Business Enterprise (DBE) Certification Program for businesses that are at least 51% owned by minority and/or women small business entrepreneurs. The program is offered through the City of Wilmington, Delaware's Minority Business Enterprise Office (MBO). The Minority Business Office maintains a database of certified businesses that is used by city purchasing officials, prime contractors, private companies, and organizations and individuals seeking minority and women-owned businesses. In terms of contracting opportunities, the city of Wilmington has a program designed to encourage city-certified DBE's to participate in the city's procurement process. Prime contractors, for example, are required to make a documented "good faith effort" to solicit BDE participation in city construction projects. Many private sector companies that wish to do business with minority and women-owned vendors accept this certification.

City of Wilmington
Minority Business Enterprise Office, 3rd Floor
Louis L. Redding Building
800 French Street
Wilmington, DE 19802
(302) 571-4169
Fax (302) 571-4326
E-Mail: tmoyer@ci.wilmington.de.us
Web site: www.ci.wilmington.de.us/business.htm

Job Service Program – The Department of Labor

The Job Service Program will pre-screen all applicants to match job vacancies - for initial staffing and ongoing labor needs. Each job seeker is carefully assessed via a personal interview and (in specific cases) professional employment counselors and job placement specialists conduct testing. Only those with skills best meeting the employer's needs are referred to the employer for consideration. All referrals are by appointment and are limited to the number specified by the employer. Contact any of the following offices for this free service:

Division of Employment and Training
Web site: www.vcnet.net

Contracting Opportunities with the Government

A government agency can be a very lucrative addition to your customer base. Federal, state, and local agencies purchase goods and services covering every industry. The opportunities can be tremendous; however, you must be sure your business is well prepared to cover the constant attention that must be given to the government as a customer. Your company must be very stable and have some operating reserves. You should also have customers from both the private and public sector to offset any complications with a contract.

Your state or local paper has a public notice section that lists contracting information. The State of Delaware is required to put bids and proposals over \$25,000 for materials and nonprofessional services and bids and proposals over \$50,000 for professional services in the Delaware Capital Review. Many county and local bids and proposals are listed in The News Journal or the Delaware State News. State and local agencies also have bidders' lists. You can contact the agency, fill out the form and mail or fax it back to them. They will then send you an invitation to bid or request for proposal for you to respond to. If you are not able to bid on the good or service, you may respond by stating no thank you at this time. This will ensure that you stay on the bidder's list for the next solicitation. The federal government is required to put all solicitations in the Commerce Business Daily. This publication is available online at www.govcon.com.

For more information about marketing your goods and services to the government, please contact: Government Marketing Assistance Program at (302) 571-1555 or go to www.delawarecontracts.com. They have a free bid-match service, where registered companies will receive notices via email when a federal or state agency releases a bid opportunity. They can also help you research past contract histories and prepare proposals. In addition the website <http://www.state.de.us/purchase/index.htm> includes a publication designed for small businesses called "Selling to the State of Delaware."

Workforce Development

The Workforce Development Division of the Delaware Economic Development Office's Web site contains information regarding their complete complement of services. This site contains information on recruitment sources, services and strategies to recruit the best talent available – to meet your company's specific needs. For more information call (302) 739-4271.

Email: winfo@state.de.us

Web site: www.delawareworkforce.com

Sources – Public and private; temporary agencies and specialized sources.

Services – Register Delaware jobs on line –and get responses on line – and at no cost!

Strategies – Tax credits to transit maps and much more.

Recruitment – Contacts and strategies to recruit employees

Training - Trainer and training grant information

Retention - Proven strategies to keep valuable employees

Education - Contacts for all Delaware schools, K through post-secondary

Four basic training grant programs:

Blue Collar Jobs Training,

Training Grants for Delaware's A Better Chance Welfare Reform Program

Basic Skills Training

Governors Workforce Development Grant

Occupational Safety and Health Administration (OSHA) Consultation Services

On-site OSHA-type inspections are conducted by consultants or inspectors from the Division of Industrial Affairs from the Department of Labor. This free service is available statewide and must be requested by the employer. Written recommendations following the inspection will be mailed to the firm for action. A complete consultation service and safety training for the employer and employees are now available. Unlike regular OSHA inspections, firms will not be cited or fined by the State. The consultation service offers businesses an opportunity to meet compliance standards without the risk of being cited and fined.

Delaware Workplace Safety Program

The Delaware Insurance Department, through coordination with the Delaware Compensation Rating Bureau, offers employers an opportunity to lower workers' compensation insurance premiums by participating in the Delaware Workplace Safety Program. Businesses with exposure within the state may earn discounts up to 19% by providing and maintaining a safe place to work. Safety in the workplace is not an option; however, the opportunity to earn rewards by meeting this responsibility has given employers needed incentives. Since the program's inception in 1989, employers have saved millions of dollars in premiums, and more importantly, have enhanced the safety and health of their employees. Only benefits can be gained by participating in the Workplace Safety Program. Failure to qualify cannot be the basis for premium increases or sanctions imposed by other safety enforcement authorities. There are no penalties for failing to qualify.

Delaware Insurance Department

841 Silver Lake Boulevard

Dover, DE 19904

(302) 739-4251

E-mail: safety@deins.state.de.us

Web site: www.state.de.us/inscom/wrksafety.htm

Section Four: Funding Resources

How to Obtain Financing

Most people do not have sufficient funds to finance their own business. Sources of funding for starting a business primarily come from the owner, friends, and family. Most banks are not anxious to assume the risk associated with a start-up business. Therefore, if bank financing is needed, the business owner needs to demonstrate to the bank that the business represents a good investment.

What a Lender needs to know

How much money do you need?

How much is the business owner investing?

How will the money be used?

How long will you need the money?

How will you repay the loan?

If the original plan does not work, how will the lender get its money back?

The Biggest Problems Facing Lenders in Approving Small Business Loans

Entrepreneurs with poor credit histories

Unlicensed businesses seeking funds

Undocumented cash flow

Unwillingness of owner to take personal financial risk

Lack of equity, the small business is looking for 100 % financing

Lack of experience running a business and/or in the industry

Contents of the Loan Package

Business plan

Cash-flow projections

Personal financial statement

Three years-personal tax returns (include all schedules)

Three years-business financial statements and/or tax returns

Copy of lease (may be proposed)

Copy of sales contract (if purchasing)

Partnership agreement or corporate bylaws

Resume of principals and key management

Other pertinent information

HOW A LOAN IS EVALUATED: The Four C's of Credit

Character/Credit — Previous history in debt repayment (Credit Report)

Capital — How Much Equity is the owner investing

Cash flow/Capacity

For an Existing Business = Net Profit plus Depreciation

For Start-Ups — the cash flow projections provide this information. The banker will

evaluate the potential success of the business. They will consider need for business, competition, experience and history of similar business, etc.

Collateral — What is being offered to secure the payment and its value.

Purpose of the Loan

- Short Term: used to finance contracts/jobs or small equipment purchases (i.e. computers). To be repaid in one year or less.
- Intermediate Term: used for small equipment purchases or to fund permanent increases in working capital. To be repaid in three years or less.
- Long Term: used for larger equipment purchases or purchase of a business. To be repaid in five to seven years. NOTE: The repayment of a loan for the purchase of equipment will be limited to the estimated useful life of the equipment. * Some SBA loan programs offer repayment terms of 10-20 years.
- Commercial Mortgage: used to purchase real estate for the business. Generally, need minimum of 20% equity and loan amortization will be for 15, possibly 20 years. Usually, has a call feature or balloons every five years.
- Line of Credit: used to finance working capital fluctuations of the business. I.E. to purchase inventory at beginning of the season. Usually required to bring to a zero balance for 30 consecutive days each calendar year.
- Letter of Credit
- Standby (Guarantee of Payment): the bank provides a guarantee that you will make payment or your performance will be in accordance with a contract. If not, the beneficiary of the letter may draw down on the letter of credit and receive payment in full. The bank is obligated to honor the draw request and you are then obligated to repay the bank.
- Trade or Documentary: used for payment in international trade transactions. Specific contracts are drawn up which are processed through the bank's letter of credit department and payment to the seller is made directly by the bank via the processed paperwork.

Financing Resources

Figure 1: Funding Chart - Range I

Programs	Capital Works™ Team Success Loans™	Capital Works™ Owner Option Loans™	Demonstration Funding	Business Growth Fund™
ORGANIZATION	First State Community Loan Fund and the YWCA of New Castle	First State Community Loan Fund and the YWCA of New Castle	Delaware Innovation Fund (DIF)	First State Community Loan Fund (FSCLF)
CONTACT	(302) 652-6774 Wilm:(302) 658-7161 Dover:(302) 741-1133	(302) 652-6774 Wilm:(302) 658-7161 Dover:(302) 741-1133	(302) 777-1616	(302) 652-6774
Eligible Participants	Delaware-based businesses	Delaware-based businesses-over 6 months in business	Companies must reside or relocate a portion of their operations in the Delaware area	Most Delaware-based businesses
Normal				

Project Range	\$500 - \$6,000	\$1,500 - \$10,000	Up to \$25,000	\$2,000 - \$50,000
Max. Program Participation	\$6,000	\$10,000	\$25,000	\$50,000
Approved Uses of Funds	Business purposes Approved by the group	Business/commercial applications--equipment inventory, working capital, leasehold improvements	Proof of concept (patent, etc.)	Business/commercial applications--equipment inventory, working capital, leasehold improvements
Interest Rates	12%	14%-18%	Royalty based on revenue	Typically prime + 2%
Terms of Loans	4 months-3 years	3 months-2 years	Varies	3 months-5 years
Form of Financing	Direct loans in step increments. Peer group Serves as loan review, Support and training group	Direct loans paired with support services. Rapid turn-around.	Royalty based on revenues	Direct loans to develop businesses which improve communities and serve targeted populations

Figure 2: Funding Chart - Range II

Programs	SBA Micro-Loans	Short-Term Working Capital	Low Documentation Loan (SBA LowDoc)/SBA Express	Commercialization Funding
ORGANIZATION	Wilmington Economic Development Corporation (WEDCO)	Wilmington Economic Development Corporation (WEDCO)	Various commercial lending institutions	Delaware Innovation Fund (DIF)
CONTACT	(302) 571-9088	(302) 571-9088	Your bank of account or any Delaware lender	(302) 777-1616
Eligible Participants	Businesses occupying Commercial space in New Castle County	Disadvantaged business enterprises operating within the City of Wilmington, DE	Start-up and existing small businesses	Companies must reside or relocate a portion of their operations in Delaware area
Normal Project Range	\$5,000 - \$35,000	Up to \$40,000	Up to \$150,000	\$25,000 - \$500,000
Max. Program Participation	100%	Up to 50% of business contract	\$150,000	\$500,000
Approved Uses of Funds	Working capital, inventory, Machinery and equipment, Leaseholder improvements. May not be used to purchase real estate or refinance debt.	Working capital to finance short-term contracts	Varies	Commercialization of concept
			Varies	Royalty based on revenue, equity
Interest Rates	9% fixed	1% - 5% rate increases to 10% if not paid at maturity	Varies	Varies
Terms of Loans	Max: 6 years	30 - 180 days for loan amounts \$2,000 - \$20,000	Varies	Varies
Form of Financing	Funds for start-ups, newly Established, or growing Small businesses unable to secure financing through conventional financial institutions	Contract financing for businesses for which the only source of repayment is an assignment of the proceeds of the particular contract being performed	Reduces the paperwork involved in the loan process to a one-page application that relies on the strength of applicant's character and credit history	Royalty based on revenue Equity typically preferred stock

Figure 3: Funding Chart - Range III

Programs	Small Business Loans	SBA Prequalification Program for Women, Minorities Exporters & Veterans	Economic Development Loan Program	Delaware Access Program
ORGANIZATION	Wilmington Economic Development Corporation (WEDCO)	Wilm. Econ. Dev. Corp. (WEDCO) Entrepreneurial Management Services (EMS)	Delaware Economic Development Office and local financial institutions	Delaware Economic Development Office and local financial institutions
CONTACT	(302) 571-9088	WEDCO: (302) 571-9088 EMS: (410) 467-8912	(302) 739-4271	(302) 739-4271
Eligible Participants	Business entities in Wilmington, Del. which are creating or retaining jobs	Women, veterans, exporters and minorities in New Castle County	Small businesses located in Delaware	Any commercial, industrial, or agricultural Delaware business
Normal Project Range	\$5,000 - \$200,000	\$10,000 - \$250,000	\$30,000 - \$450,000	lending institution determines loan size
Max. Program Participation	Varies; funds are generally used for secondary financing	Varies		
Approved Uses of Funds	Real estate; machinery And equipment; leasehold Improvements; inventory; working capital	Funds provided by banks in SBA 7A program for prudent businesses	To finance both working capital and fixed assets. Refinancing is not eligible.	To finance both working capital and fixed assets. Refinancing is not eligible.
Interest Rates	Fixed from 8.5% - 10.0%	Prime + 2.25% for loans up to 7yrs Prime + 2.75% for loans over 7yrs	"Blended rate" is equal to below conventional bank financing rates	Negotiated with bank
Terms of Loans	Up to 10 years for loan Amounts \$2,500 - \$100,000	10 years max: working capital, machinery/ equipment 20 yrs max: real estate/equipment	1-20 years for the Del Econ. Dev. Office portion, bank terms negotiated with lender	
Form of Financing	Direct loans for portions of project costs not available through Conventional financing, Priority given to projects Benefiting low- to moderate-income individuals.	Counseling and pre-qualification programs which allow women and minorities to approach traditional lender with a pre-approval for an SBA 7A guarantee of up to 80%. Decisions focused on character, credit, experience, and reliability of applicant.	Normally 70% bank funds, 30% direct loan through the Delaware Economic Development Office	Negotiated with bank 100% bank financing

Figure 4: Funding Chart - Range IV

Programs	SBA 7(a) Loan Guaranty	Community Investment Loan Fund	Direct Loans
ORGANIZATION	Small Business Administration (SBA)	Delaware Community Investment Corporation (DCIC)	USDA/Rural Development Business Loans (RBS)
CONTACT	(302) 573-6294	(302) 655-1420	(302) 697-4324
Eligible Participants	Start-up and existing Businesses	Commercial real estate projects which contribute to the revitalization of targeted and distressed communities	Most businesses, including non-profits not eligible under other RBS programs Must be unable to obtain credit elsewhere.
Normal Project Range	Up to \$2,000,000	\$100,000 - \$1,000,000	\$100,000 - \$3,000,000
Max. Program Participation	\$1,000,000	\$1,000,000	\$3,000,000 - \$10,000,000
Approved Uses of Funds	Most business purposes, Including real estate, Machinery, equipment, Inventory, working capital. Loans cannot be used for Speculative purposes	Acquisition, post construction/rehabilitation	Business/commercial acquisitions, construction, expansion/land development, equipment/machinery, working capital, leasehold improvements, agriculture when part of processing/marketing
Interest Rates	Banks set interest rates, SBA sets maximum up to Prime + 1.25% or 2.75% depending on size of loan	Fixed rate based upon matching maturity treasury bond yield +100-200 pts based on term/risk	USDA Prime Rate Interest quoted quarterly, fixed for life of loan
Terms of Loans	10 yrs max: working capital 25 yrs max: fixed assets	Max: 20 years	7 years max: working capital 15 years max: equipment 30 years max: real estate
Form of Financing	The SBA provides financial assistance through its Participating lenders in the form of loan guaranties, not direct loans.	Direct loans	Direct USDA loans to improve, develop, or finance business, industry, employment and improve the economic and environmental climate in targeted rural communities. The loan must be fully collateralized. Minimum equity requirements: 10% existing business and 20% startup business.

Programs	Angel Capital Electronic Network (ACE-Net)	SBA 504	Business & Industry (B&I) Guarantee Loan Program	IRB Industrial Revenue Bonds
ORGANIZATION	Small Business Administration (SBA)	Kent & Sussex: Mid-Atlantic Business Finance New Castle: WEDCO & Del Val Business Finance	USDA/Rural Development Business Loans (RBS)	Delaware Economic Development Office (DEDO)
CONTACT	www.sba.gov/advo/ace-net.html	K & S: (302) 730-4250 NCC: (302) 571-9088 (215) 871-3770	(302) 697-4324	(302) 739-4271
Eligible Participants	Entrepreneurs seeking equity Financing from accredited "angel" investors	Net worth less than \$6 million. Avg. net profit after taxes less than \$2 million over past 2 years.	Most businesses, including non-profits not eligible under other RBS programs	a) Manufacturing concerns b) First-time farmers c) 501(c)(3) organizations
Normal Project Range	\$250,000 - \$5,000,000	Maximum SBA debenture: \$1,000,000; \$1,300,000 if project meets public policy goals	\$100,000 - \$10 million \$10 million-\$25 million must have USDA approval	\$750,000 - \$10,000,000
Max. Program Participation	Varies	40% SBA debenture 10% borrower injection 50% private lender	80% (up to \$5 M) 70% (\$5 M to \$10 M) 60% (\$10 M to \$25 M)	
Approved Uses of Funds	Varies	Financing of fixed assets: land, building, renovation machinery, equipment, related hard and soft costs. Project must create or retain one Job for each \$35K of debenture.	Business/commercial acquisitions, construction, expansion/land development, equipment/machinery, working capital, leasehold improvements. Loans for hotels, motels, and other tourism facilities	Fixed Assets: land/bldg. acquisitions, renovation, construction, machinery, equipment (501(c)(3) orgs may finance fixed assets and use bond proceeds for working capital)
Interest Rates	Varies	Fixed, below market reflecting roughly 2.5% over the 10 yr. Treasury rate	Determined by lender (Fixed or variable)	Market rates
Terms of Loans	Varies	20 years max: real estate 10 years max: equipment	7 years max: working capital 15 years max: equipment 30 years max: real estate	Max: 30 years usually 15-20 yrs on real estate 5-10 years on equipment
Form of Financing	The "angels" using ACE-Net Negotiate directly with listed Companies to provide equity Capital funding and advice for a Stake in the entrepreneur's Corporation	Long term, fixed rate financing in conjunction with bank debt. Allows businesses to acquire fixed assets with 10% investment	Guarantee of for-profit business that will create or save jobs in rural communities and counties. Guarantee is requested by eligible lender and borrower. The loan must be fully collateralized. Minimum equity requirement: 10% existing business and 20% startup business.	State or local authority issues tax-exempt revenue bonds

Section Five: Business Regulations

Business Licenses and Business Taxes

There will be different types of tax payments depending upon the type of business entity you have selected. You will be responsible for your own personal income taxes, taxes your business may have to pay and withholding taxes and employment taxes for any employees you may have.

First and foremost, every business must have an Employer Identification Number (EIN number), see Section 2. If your business is set up as a sole proprietorship without employees, you may use your social security number or you may obtain a federal EIN number. Corporations, partnerships, Limited Liability Corporations must obtain a federal EIN Number.

Basic Business Licenses

Most occupations and businesses require the purchase of a license in order to operate legally in Delaware. Therefore, any business operating as a sole proprietor, partnership, or corporation engaged in business activity in Delaware must obtain a Delaware business license. The annual license fee is \$75 for most businesses. Most business are liable for a monthly gross receipts tax at varying tax rates depending on the business activity as described below.

Licenses and gross receipts tax information for general categories are listed below:

1. **Occupational/Professional/General Services License** - Most occupations are charged a \$75 annual fee and \$25 for each separate branch or additional business location, plus a fee of 0.384% on the taxable gross receipts in excess of \$50,000 per month.
2. **Contractor's License** - \$75 annual fee, plus a fee of 0.624% on taxable gross receipts reduced by payments made to subcontractors (as reflected on Form 1280) in excess of \$50,000 per month. Special rules apply to persons engaged in the business of acquiring land (raw or developed), building structures and selling such structures. Persons performing such activities are considered Real Estate Developers and reduce their gross receipts by the cost associated with the development of the property. Non-resident contractors must supply a surety bond. Special rules also apply to Construction Transportation contractors.
3. **Retailer's License** - \$75 annual fee and \$25 for each separate branch or additional business location, plus a fee of 0.720% on the taxable gross receipts in excess of \$50,000 per month. Sales to the U.S. Government or the State of Delaware and its agencies are considered wholesale sales.
4. **Grocery Supermarket Retailer** - \$75 annual fee and \$25 each separate branch or location and the payment of a fee of 0.384% on taxable gross receipts on the first \$2.0 million per month and a fee of 0.72% on all receipts in excess of \$2.0 million per month. In determining taxable receipts, the first \$50,000 per month of gross receipts are exempt.

5. **Restaurant License** - \$75 annual fee and \$25 for each separate branch or additional business location, plus a fee of 0.624% on the taxable gross receipts in excess of \$50,000 per month.
6. **Wholesaler's License** - \$75 annual fee for each place of business, plus a fee of 0.384% on the gross receipts of all goods physically delivered within Delaware in excess of \$50,000 per month. Manufacturers who also wholesale their products are subject to both the manufacturing and wholesale tax on gross receipts. Sales to the U.S. Government or the State of Delaware and its agencies are considered wholesale sales.
7. **Manufacturer's License** - \$75 annual fee for each place of business, plus a fee of 0.18% on the gross receipts for all goods manufactured in Delaware in excess of \$1,000,000 per month, regardless of the location of the sale. Manufacturers who also wholesale their products are subject to both the manufacturing and wholesale tax on gross receipts. Persons performing manufacturing services on goods owned by another are licensable under the General Services category. Persons rendering manufacturing services on goods owned by another manufacturer for subsequent inclusion in a product manufactured within this state shall be considered a manufacturer.
8. **Food Processor's License** - \$75 annual fee for each place of business, plus a fee of 0.192% on the taxable gross receipts of all goods sold within Delaware in excess of \$50,000 per month.
9. **Commercial Feed Dealer's License** - \$75 annual fee for each place of business, plus a fee of 0.096% on the taxable gross receipts of all goods physically delivered within Delaware in excess of \$50,000 per month.
10. **Farm Machinery Retailer's License** - \$75 annual fee for each place of business, plus a fee of 0.096% on the taxable gross receipts of all goods sold within Delaware in excess of \$50,000 per month.
11. **Lessor of Tangible Personal Property License** - \$75 annual fee, plus \$25 for each separate branch or additional business location, plus a fee of 0.288% of the lease rental payments received in excess of \$50,000 per quarter. In addition, Lessors of Tangible Personal Property are responsible for collecting from the lessee and paying over to the State the 1.92% Use Tax on the lease of any tangible personal property that is not specifically exempt. Lessors who have a Retailer's License are not required to pay the annual fee or the 0.288% tax. However, they are to report their lease rental payments with the Retailer's Gross Receipts.
12. **Commercial Lessor's License** - \$75 annual fee, plus \$25 for each separate branch or additional business location, plus a fee of 0.384% on the taxable gross receipts in excess of \$50,000 per month.

Combined Registration Application for State of Delaware Business License and/or Withholding Agent:

The purpose of these forms is to register all persons or companies conducting any business activity in Delaware, or having one or more employees. Request the CRA form to apply for a license, register to pay State Withholding Taxes, and/or register to file Corporate Income Taxes.

These forms can be obtained by contacting any Division of Revenue office or by visiting their website: www.state.de.us/revenue . All businesses must file Gross Receipts Tax returns. Also, you will need a city business license if your business is in Wilmington, Newark, and some other municipalities.

Detailed List of Division of Revenue Licenses and Tax Rates

Category	Annual Fee	Additional Locations	Tax Rate	Returns Due	Exclusion Per Month
Advertising Agency	\$ 75	\$ 25	0.00384	Monthly	50,000
Amusement Machine Owner					
Business License Fee	75	25	0.00384	Monthly	50,000
Each Machine	75				
Auctioneer Non-Resident Each County	225	225	0.00384	Monthly	50,000
Auctioneer Resident	75	25	0.00384	Monthly	50,000
Broker	75	25	0.00384	Monthly	50,000
*Cigarette					
* Wholesaler and/or Affixing Agent	200	200			
* Retail Permit (3 years)	15				
* Vending Machine Decals Each Machine	3				
Wholesaler Business License also needed	75	75	0.00384	Monthly	50,000
*Circus Exhibitor	750				
Non-profit Organizations	300				
Collection Agency	75	25	0.00384	Monthly	50,000
Commercial Feed Dealers	75	75	0.00096	Monthly	50,000
Commercial Lessors	75	25	0.00384	Monthly	50,000
Contractors , Developers & Transportation Contractors	75		0.00624	Monthly	50,000
Non-Residents - Bonding Requirements	75		0.00624	Monthly	50,000
Drayperson or Mover	75	25	0.00384	Monthly	50,000
Electric Use Tax	--	--	.0425/.0200	Monthly	
Farm Machinery Retailer	75	75	0.00096	Monthly	50,000
Finance or Small Loan Agency	450	450			
Food Processors	75	75	0.00192	Monthly	50,000
Foreign Sales Corporation	150	25			
Foreign Sales Service Corporation	150	25	0.00384	Monthly	50,000
Gas Use Tax	--	--	.0425/.0200	Monthly	
General Services	75	25	0.00384	Monthly	50,000
* Grocery Supermarkets	75	25	0.00384	Monthly	50,000
Hotel Per Suite / Per Room	30 / 25		0.08	Monthly	
Lease / Use			0.0192	Quarterly	
Lessor of Tangible Personal Property	75	25	0.00288	Quarterly	50,000
Manufacturers	75	75	0.0018	Monthly	1,000,000
Manufacturer's Agent	75	25	0.00384	Monthly	50,000
Motel Per Room	25		0.08	Monthly	
* Motor Vehicle Dealer	100		2.00 ea. vehicle	Quarterly	
Occupational / Professional	75	25	0.00384	Monthly	50,000
* Outdoor Music Festival Promoter	750				
Parking Lot or Garage Operator	75	35	0.00384	Monthly	50,000
Photographer - Resident	75	25	0.00384	Monthly	50,000
* Transient - Plus \$25 per day					
Public Utilities					
Cable Television			0.02125	Monthly	
*Electric Utility			0.0425	Monthly	
Gas Utility			0.0425	Monthly	
*Telephone			0.0425	Monthly	
Telegraph			0.0425	Monthly	
Real Estate Broker	75	25	0.00384	Monthly	50,000
Restaurant Retailer	75	25	0.00624	Monthly	50,000
Retailer - General	75	25	0.0072	Monthly	50,000
* Petroleum	75	25	0.0162	Monthly	
	50,000				
Transient Retailer	75	25	0.0072	Monthly	50,000
Registration & Bonding Required					
Sales Representative	75	--	--	---	
Security Guard Co. (State Police Approval Required)	75	25	0.00384	Monthly	
Security Systems	115	25	0.00384	Monthly	50,000
State Police Approval Required					
* Showperson	375				
Steam, Gas & Electric	50	1 st year	0.001	Annually	
Taxicab or Bus Operator — 1st Veh / Each	45	30			
Tourist Home — Per Room (Min. 5 Rooms)	15		0.08	Monthly	

Trailer Park — Each Space	10				
Transportation Agent	75	25			
Travel Agency	225	25			
* Vending Machine Decals					
* Automatic — Each Machine	5				
* Cigarette — Each Machine	3				
Business License Also Needed					
Wholesalers	75	75	0.00384	Monthly	50,000
* Petroleum	75	75	0.01524	Monthly	50,000

* Most licenses are proratable, meaning that if your activity begins on July 1, the fee for the first year's license would be reduced by 50%. The fees for "Additional Locations" are proratable. Those categories marked with an asterisk (*) are not proratable and the full amount must be paid.

* Grocery Supermarkets — The tax rate for the first \$2 million is .00384 and .0072 on the remaining taxable gross receipts.

* Hotels, Motels and Tourist Homes — The eight percent (8%) tax is collected from the guest and remitted to the Division of Revenue.

• Electric Utility — The tax rate is .02 for electric consumed by manufacturers, food processors and agribusinesses.

* Interstate calls are exempt.

* Petroleum Retailers — The composite rate includes the General Fund tax of .0072 and a Hazardous Substance tax of .009.

* Petroleum Wholesalers — The composite rate includes the General Fund tax of .00384, a Hazardous Substance tax of .009 and a petroleum surtax of .0024.

Federal Income Tax Form Requirements

YOU ARE A:	YOU MAY BE LIABLE FOR:	USE FORM:
Sole proprietor	Income tax	1040, Sch. C or C-EZ
	Self-employment tax	1040, Sch. SE
	Estimated tax	1040-ES
	Employment taxes: • Social security, Medicare, income tax withholding • Federal unemployment (FUTA) tax • Depositing employment taxes	941 940 or 940 E-Z 8109
Partnership	Annual return of income	1065
	Employment taxes	Same as sole proprietor
Partner in a partnership (individual)	Income tax	1040 and Sch. E
	Self-employment tax	1040 and Sch. SE
	Estimated tax	1040-ES
Corporation or S Corporation	Income tax	1120 or 1120-A (corp.) 1120S (S corporation)
	Estimated tax	1120-W (corp. only) and 8109
	Employment taxes	Same as sole proprietor
S Corporation shareholder	Income tax	1040 and Sch. E
	Estimated tax	1040-ES

Federal Corporate Income Tax

Special returns are required for certain organization instead of filing Form 1120 and 1120-A. Please see IRS *Instructions for Form 1120 and 1120-A*, if you are a Foreign Corporation, Foreign Sales Corporation, Life Insurance Company, Property and Casualty Insurance Company, Political Organization, Real Estate Investment Company, Regulated Investment Company, or Settlement Fund.

State Corporate Income Tax

Delaware corporate income taxes are computed on the corporation's federal taxable income, which is apportioned and allocated to Delaware. The tax rate is 8.7 percent. Apportionment of unallocated income is based on a three-factor formula that averages the ratios of 1) Delaware property to total property, 2) Delaware wages to total wages, and 3) Delaware gross receipts to total gross receipts, for those businesses which operate interstate. This formula is applied to a company's entire taxable income excluding exempt and allocated income.

"S" Corporations

An "S" corporation is required to make personal income tax payments to Delaware on behalf of the nonresident stockholders. Nonresident stockholders of "S" corporations are treated in the same manner as resident stockholders. Contact the Division of Revenue for more information (302) 577-5800 or visit their web site: www.state.de.us/revenue/.

Forming a Delaware corporation

Any person, sole proprietorship, or corporation, regardless of residence or state of incorporation, may incorporate or organize a corporation under Delaware Law by filing with the Secretary of State. Corporations must maintain an office located in Delaware (P. O. Box will not suffice), maintain a registered agent, submit an annual report, pay franchise tax, and, if operating in Delaware, pay corporation income tax. It is a good idea to consult with a corporate lawyer before beginning. You can receive forms and assistance by contacting Secretary of State, Division of Corporations at (302) 739-3073 or visit their web site: www.state.de.us/corp/

An annual franchise tax is imposed upon domestic corporations for the privilege of being incorporated in Delaware unless specifically exempted by law. Companies can incorporate under the General Corporation Law of Delaware by filing the proper documents with the Secretary of State. The initial cost is based on a company's authorized capital stock, either (A) par value stock or (B) no par value stock, as follows:

A. Par Value Stock	
Up to \$2,000,000	\$.20 per \$1,000
Over \$2,000,000	
to \$20,000,000	\$.10 per \$1,000
Over \$20,000,000	\$.04 per \$1,000
B. No Par Value Stock	
Up to 20,000 shares	\$.01 per share
Over 20,000 shares	
to 2,000,000 shares	\$.0050 per share
Over 2,000,000 shares	\$.0040 per share

All domestic corporations must file the “Annual Franchise Tax Report - Delaware Corporations” on or before March 1 each year. Companies incorporated with stock must pay an annual filing fee of \$20 and a franchise tax of not less than \$30 or more than \$150,000. The tax is the lesser amount computed by one of the methods outlined below:

1. Authorized shares - par or no par:

3,000 shares or less	\$30.00
3,001 shares to 5,000 shares	\$50.00
5,001 shares to 10,000 shares	\$90.00
Each additional 10,000 shares or part thereof	\$50.00
2. Assumed par value capital (for stock having a par value under \$100 but greater than \$0, divide total gross assets by number of issued shares to determine assets per share):
 - a. Multiply assets per share by number of authorized shares whose par value is less than or equal to assets per share.
 - b. Multiply the number of authorized shares with a par value greater than assets per share by their respective par values.
 - c. Add (a) and (b) above to determine assumed par value capital. The rate of tax is \$200 per \$1,000,000 of assumed par value capital. Contact:

Other Taxes

Commodity Taxes

Cigarettes/Tobacco Products - Every firm in Delaware that sells, stores, or receives cigarettes for the purpose of distribution within the state must pay a state excise tax. A pamphlet entitled *Responsibilities of a Cigarette Affixing Agent* is available through the Division of Revenue. The tax rate is 24¢ per pack of 20 cigarettes and 30¢ per pack of 25 cigarettes. In addition, an excise tax is imposed on the sale or use of all tobacco products other than cigarettes within this state at the rate of 15 percent of the wholesale price.

A business license is required for affixing agents and/or wholesalers, with an annual fee of \$200, and retailers, with a three-year fee of \$15. In addition, every affixing agent/wholesaler and retailer is subject to a gross receipts tax on the sale of all cigarette or tobacco products in this state. Please refer to the requirements for wholesalers and retailers. Vending machines are required to have an identification stamp with an annual fee of \$3 per machine.

The sale of cigarettes or tobacco products to persons under the age of 18 is prohibited and violations are subject to a \$1,500.00 fine for each occurrence. The sale of cigarettes or other tobacco products by means of a vending machine in a public place is prohibited. The sale of such products may occur in a taproom, tavern, tobacco shop, or in premises in which a person who has not attained the age of 18 is prohibited by law from entering.

Public Accommodations

Any establishment engaged in the business of furnishing or providing rooms intended for transient lodging must secure a business license from the Division of Revenue. The license fee for hotels and motels is \$25 per room and \$30 per suite; the fee for tourist homes is \$15 per room. An eight-percent (8%) occupancy tax must also be collected and remitted to the Division of Revenue.

Realty Transfer Tax

A two-percent (2%) state tax is imposed on real estate transactions at the time of transfer with grantor and grantee dividing the fee equally. A one-percent (1%) tax is imposed on certain improvements if the value of the improvement is greater than 50% of the cost of the realty and the improvement is contracted for within one year from the date of purchase. Many municipalities also levy a realty transfer tax. For assistance, contact both the Recorder of Deeds (in each county) and the Division of Revenue.

Alcoholic Beverages

All alcoholic liquors imported into Delaware are subject to excise tax. Manufacturers and distributors of alcoholic liquors intended for sale in Delaware are required to be licensed by the Alcoholic Beverage Control Commission. Effective April 1, 1996 the Division of Revenue is responsible for the collection and enforcement of the alcoholic beverage tax. The Division of Alcoholic Control administers applications and license renewals for all alcoholic beverage sales.

State tax rates are:

Distilled spirits containing more than 25 percent alcohol by volume	\$3.75/gal.
Distilled spirits containing 25 percent or less alcohol by volume	\$2.50/gal.
Wine	\$0.97/gal.
Beer	\$4.85/barrel
Cider	\$0.16/gal.

Alcoholic Beverage Control Commission
Carvel State Office Building
820 North French Street
Wilmington, DE 19801
(302) 577-3200

Employee Tax Considerations

If your business has employees, there are a number of tax issues that you must consider. As an employer, you must withhold federal taxes, state taxes, Federal Insurance Contribution Act (FICA), and Federal Unemployment Tax Act (FUTA) for each employee.

Federal Withholdings

Employer’s Identification Number (EIN) The IRS, Social Security Administration and the Division of Unemployment Insurance, use an EIN to identify businesses on all returns, statements, and other documents. Applying for an EIN should be one of your first steps to starting a business. Sole proprietors who have no employees may use their social security number for filing tax returns. You must file Form SS-4 that may be obtained from your local IRS Office (no cost involved) or call 800 829-3676. The IRS office also has other forms, with instructions, that are required for a new business. The Federal EIN is also used as your Delaware E.I. Number for state withholding.

Social Security

Social Security and Medicare Taxes pay for employee benefits received under the Federal Insurance Contributions Act (FICA). Social Security Taxes pays for benefits under the old age, survivors, and disability insurance part of FICA. Medicare taxes pay for benefits under the hospital insurance part. Both employers and employees pay FICA taxes on wages up to a yearly ceiling (\$80,400 for 2001), however there is no ceiling on the Medicare portion. The information is reported on Form 941. Statewide Toll-Free Number: (800) 829-3676

Federal Unemployment Tax

The Federal Unemployment Taxes is part of the Federal and State Program under the Federal Employment Tax Act (FUTA) that pays unemployment compensation to workers who lose their jobs. Under FUTA requirements, most employers are liable for federal unemployment taxes, which are deposited quarterly on an IRS Form 940 or Form 940EZ; employees do not pay this tax. Employers pay 6.2% tax on the first \$7,000 of wages for each employee, however they can received up to 5.4% credit for timely paid state unemployment taxes. Returns are filed on an annual basis, and are due by January 31 of the following year. See IRS Publication 15, *Employer Tax Guide*, for more information.

Federal Income Tax Withholding - Employers must withhold federal income taxes from wages based on the employee's gross income, marital status, pay frequency, and withholding allowances as claimed on Form W-4 or W-4A. For any questions concerning federal requirements, contact the Internal Revenue Service: Statewide Toll-Free Number: (800) 829-1040.

State Withholdings

State Employment Tax - Most employers are required to file quarterly payroll reports and to pay the associated unemployment insurance taxes quarterly. See next page for further information regarding unemployment insurance taxes.

State Withholding Taxes - Delaware Law requires that every employer must register with the Delaware Division of Revenue. Employers use their Federal Employer's Identification Number or Social Security Number for identification. New employees must file Federal Form W-4 or Form W-4A regarding exemptions. Based on that information the employer must withhold the appropriate tax from compensation. An employer must supply each employee with a statement showing total wages earned and amount of taxes withheld on a W-2 form before January 31 of each year and file a Reconciliation of Monthly/Quarterly/Eighth Monthly Returns on a W-3 form with a duplicate of W-2 forms to Division of Revenue before February 28 of each year. The Division of Revenue requires magnetic media or floppy disc reporting for the annual reconciliation of withholding tax returns, Form W-3 for all employers required to report on magnetic media to the Federal government. Filing by magnetic media for all other employers is optional, but highly recommended.

A booklet is available from the Division of Revenue entitled *Withholding of Delaware Income Tax, Regulations, Employer's Duties, and Withholding Tables*. Also, be sure to file Form CRA, Combined

Registration Application, notifying the State that you are an employer. You will then receive the proper forms to pay the withholding taxes.

Other Employee Considerations

Reporting of New Hires

Delaware Law requires that every employer who is required to withhold Delaware income tax from its employees is also required to report the hiring of new employees to the Division of Child Support Enforcement. The report must be made within 20 days of hiring the new employee(s) and must contain (1) the name, address, and social security number of every employee and (2) the name, address, and federal employer identification number of the employer. The report may be made by using federal form W-4 or an equivalent form of your choice. The report should be either:

- Mailed to the Division of Child Support Enforcement, New Hire Reporting, P.O. Box 913, New Castle, DE 19720;
- Faxed to (302) 577-4873; or
- E-mailed to: newhires@state.de.us.

Reports may be handled by electronic or magnetic media and a multi-state employer may elect to report to one state. For more information concerning multi-state or magnetic filing, call the Division of Child Support Enforcement at (302) 577-4815. Contact the Customer Service Unit at (302) 577-7171 for specific questions.

Unemployment Insurance Tax - All employers must file Form UC-1 and are liable for unemployment insurance taxes with respect to any calendar year if they (a) pay wages of \$1,500 or more during any calendar quarter in that year, or (b) employ at least one person for 20 days during such calendar year, each day being in a different week. You must apply for a separate employer ID number for State Unemployment Insurance Tax payments. To obtain a State Unemployment Insurance account number, call (302) 761-8482.

The state unemployment insurance basic tax rate is determined by the employer's benefit wage ratio (the total of employee benefit wages as a percent of the employer's total taxable payroll) and the State experience factor (total benefits paid as a factor of total benefit wages charged). A supplemental assessment ranging from .5% - 2.5%, determined by the employer's basic tax rate and Delaware's Unemployment Insurance Trust Fund balance, is also assessed to every employer. An employer's effective unemployment insurance tax rate is comprised of the effective tax rate plus the supplemental assessment.

The unemployment insurance payments received by eligible claimants come from a trust fund contributed to by employers who are subject to a quarterly payroll tax on the first \$8,500 paid to each employee during the year. Assessed employers may credit up to 5.4% of the state unemployment insurance tax liability toward their Federal Unemployment Insurance Tax (FUTA) liability on the Form 940 or Form 940EZ. The credit against Federal unemployment tax liability is provided to those employers who pay State unemployment taxes in a timely manner.

The state minimum effective tax rate is 0.6% and the maximum effective tax rate is 8.5% when the Trust Fund balance is equal to or greater than \$215 million. When the trust fund balance is equal to or greater than \$200 million, the minimum effective tax rate is 0.8% and the maximum effective tax rate is 8.7% equal to or greater than 130 million, the minimum effective tax rate is 1.0% and the maximum effective tax rate is 9.5%; equal to or greater than \$90 million, the minimum effective tax rate is 1.2%

and the maximum effective tax rate is 9.5%. Should the trust fund balance be less than \$90 million, the minimum effective tax rate will be 1.6% and the maximum effective tax rate will be 10.5%.

The assessment for a new employer is based on the average employer assessment rate determined each year (2.3% in 1998) with the exception of the construction industry. Construction is based on either the average employer assessment rate of that industry as a whole, or on the average employer assessment rate of the four-digit Standard Industrial Classification (SIC) construction codes, whichever is higher.

To qualify for unemployment insurance payments, unemployed workers must have earned sufficient base period wages from insured employers; must have become unemployed through no fault of their own; and must be able, available, and actively seeking work. If you have any questions concerning the Unemployment Insurance Program, contact (302) 761- 8446.

Workers Compensation

All employers are subject to the Delaware Workers' Compensation Law who protects employers from employee liability for work-related injury and disease. The law provides prompt and reasonable income and medical benefits to work-related accident victims or their dependents. Each job classification is assigned a risk class percent rate and is based on each \$100 of payroll. Any authorized independent insurance agent can provide the coverage. A firm wishing to become a self-insured company may receive the necessary forms by sending a letter of intent to the Division of Industrial Affairs. Additional information or questions regarding the Workers' Compensation Law can be directed to:

(302) 761- 8200

Web site: www.delawareworks.com/divisions/industaffairs/workers.comp

U.S. Immigration and Naturalization

Employers who hire employees must complete Form I-9 within three business days of the hire. Persons who are self-employed do not need to complete Form I-9. For further information, call (800) 755-0777.

Sole Proprietors & Partnerships must file these State taxes

The income or loss of a sole proprietorship, partnership and certain types of LLC's should be reported on the following forms:

Individual/Personal Income Tax - Every resident must file a personal income tax form if: 1) required to file a federal tax form or 2) has an adjusted gross income of at least \$9,400 if single, \$9,400 if married filing separately, or \$15,450 if married filing jointly. All income earned must be reported regardless of sources. Non-residents and part-year residents must also file a tax return on income earned in Delaware.

Partnership Tax Returns - A partnership having any income derived from sources within Delaware must file a partnership return. The partnership itself is not subject to tax; each partner shall be liable for Delaware personal income tax on his/her share of the partnership income. For further information regarding these taxes, contact the Division of Revenue at (302) 577-3300 or visit their web site at www.state.de.us/revenue.

Regulatory Licenses

In addition to the Division of Revenue license requirements previously described, many occupations and businesses require a Regulatory License. For environmental and natural resources regulatory permitting information you may contact the Development Advisory Service (DAS) at (302) 739-6400. The DAS coordinator can arrange for you to meet with representatives of all agencies requiring environmental permits and other approvals. This should be done early in the planning stages. The following is a list of State agencies where licenses can be obtained:

Department of Administrative Services	Department of Agriculture
Department of Finance	Office of Fire Marshal
Department of Health and Social Services	Office of Insurance Commissioner
Department of Labor	Department of State
Department of Natural Resources and Environmental Control	Department of Education
Department of Public Safety	Department of Transportation
Department of Services for Youth and Their Families	

See Section Five for Contact information for these agencies.

Local Business Licenses

Each town may have individual business licenses that could apply to your new business. Please contact the Town Manager or Town Council for verification.

Building / Zoning Codes and Restrictive Covenants

Each county and some towns and cities in Delaware have specific requirements or prohibitions relating to operating a business or practicing a profession out of your home. Please consult the county and town or city regarding your location and their zoning requirements before starting a business in your home. Also, some communities have restrictive covenants prohibiting specific practices as a property owner.

County Zoning Offices

New Castle County Department of Land Use
87 Reads Way
Corporate Commons
Newark, DE 19711
(302) 395-5400
Web site: www.co.new-castle.de.us/

Kent County Department of Planning
County Administration Building, Room 320
414 Federal Street
Dover, DE 19901
(302) 744-2471
Web site: www.co.kent.de.us/

Sussex County Planning and Zoning Dept.
Room 147 – Sussex County Adm. Bldg.
P. O. Box 417 – The Circle
Georgetown, DE 19947
(302) 855-7878

Section Six: Resource Directory

Government Contacts

Additional information is available at Web site www.delaware.gov. Phone contact information is available at Delaware Help line. This is a toll-free telephone information and referral service for state government and community service.

In-state 1-800-464-4347

Out of State 1-800-273-9500

Administrative Services, Department of

Purchasing, Division of (Information regarding selling to the state)

Governor Bacon Health Center

1 Wilmington Avenue

Delaware City, DE 19706

(302) 834-4550 in Delaware City

(302) 739-5587 in Dover

Web site: www.state.de.us/purchasing

Agriculture, Department of

2320 South DuPont Highway

Dover, DE 19901

(800) 282-8685 – Toll Free

Web site: www.state.de.us/deptagri/index.htm

Delaware Economic Development Office (DEDO)

99 Kings Highway

Dover, DE 19901

(302) 739-4271

Web site: www.state.de.us/dedo

820 N. Frech Street

Wilmington, DE 19801

(302) 577-8477

Education, Department of

John G. Townsend Building

401 Federal Street

P. O. Box 1402

Dover, DE 19903-1402

(302) 739-4601

Fax: (302) 739-4654

Web site: www.doe.state.de.us

Finance, Department of

Revenue, Division of

820 North French Street

P.O. Box 2340

Wilmington, DE 19899-2340

Thomas Collins Building

P.O. Box 1401

Dover, DE 19903-1401

U.S. Route 13

Georgetown, DE 19947

(302) 856-5358

(302) 577-5800

Web site: www.state.de.us/revenue

(302) 577-5251

Fire Marshal

Kent County
1537 Chestnut Grove Road
Dover, DE 19904-9610
(302) 739-5665

New Castle County Office
2307 MacArthur Rd
New Castle, DE 19720
(302) 323-5375

Sussex County
Industrial Park Blvd.
RD #3, Box 15A
Georgetown, DE 19947
(302) 856-5298

Health and Social Services, Department of

1901 N. Du Pont Highway, Main Bldg.
New Castle, DE 19720
(302) 577-4500; (302) 739-5264
FAX: (302) 577-4510
Web site: www.state.de.us/dhss

Public Health, Division of
Health Systems Protection
Jesse Cooper Building, Federal & Water Street
P.O. Box 637
Dover, DE 19901
(302) 739-4731
Web site: www.state.de.us/dhss/dph/dphhsp/index.htm

Insurance Commissioner

841 Silver Lake Boulevard
Dover DE 19904
(302) 739-4251
Web site: www.state.de.us/inscom

Labor, Department of

Fox Valley Shops
4425 N. Market St.
Wilmington, DE 19802
(302) 761-8001 (voice)
Web site: www.delawareworks.com

Division of Employment & Training
Pencader Corporate Center
225 Corporate Boulevard
Newark, DE 19702
(302) 368-6622 (voice)
(302) 368-6599 (fax)

Division of Employment & Training
1114 S. DuPont Hwy.
Dover, DE 19901
(302) 739-5473 (voice)
(302) 739-6485 (fax)

Division of Employment & Training
600 N. DuPont Hwy.
Georgetown, DE 19947
(302) 856-5230 (voice)
(302) 856-5772 (fax)

Division of Unemployment Insurance
P. O. Box 9950
Wilmington, DE 19809
(302) 761- 8446
(302) 761-8482 (Tax Questions)
(302) 761-8351 (Benefit Questions)

Natural Resources & Environmental Control (DNREC), Department of

89 Kings Highway
Dover, DE 19904
(302) 739-4403

Web site: www.dnrec.state.de.us

Air and Waste Management (302) 739-4791

Parks and Recreation (302) 739-4401

Water Resources (302) 739-4860

Fish and Wildlife (302) 739-5295

Soil and Water Conservation (302) 739-4411

Public Safety, Department of

Public Safety Building
303 Transportation Circle
Dover, DE 19903
(302) 739-6282

Services for Children, Youth and their Families, Department of

1825 Faulkland Road

Wilmington, DE 19805-1195

(302) 633-2500

Web site: www.state.de.us/kids/index.htm

State, Department of

Division of Corporations

John G. Townsend Building

P. O. Box 898

Dover, DE 19903

(302) 739-3073

Web site: www.state.de.us/sos

Name reservation: (900) 4420-8042

Corporate Status: (900) 555-C0RP

Transportation, Department of

800 Bay Road

P.O. Box 778

Dover, DE 19903

Administration - (302) 739-2303

Highway Operations - (302) 760-2201

Preconstruction - (302) 760-2213

Delaware Transit Corporation - (302) 739-2040

Planning - (302) 760-2111

Helpful Web sites

Federal Government

Agriculture

www.usda.gov/osdbu

Agriculture, Rural Development

www.rurdev.usda.gov

Commerce

<http://home.doc.gov>

Commerce/Export Assist Ctr.

www.ita.doc.gov

Census Bureau

www.census.gov

Customs Service

www.customs.gov

Environmental Protection Agency/US Bus. Assistance Center

www.epa.gov/region03/sbac/

Environmental Protection Agency/Small and Disadvantaged Business Utilization Program

www.epa.gov/osdbu

Equal Employment Opportunity Commission

www.eeoc.gov/eeoinfo.html

Federal Deposit Insurance Corp.

www.fdic.gov

Food and Drug Administration

www.fda.gov

Global Technology Network

www.usgtn.org

Housing and Urban Development

www.hud.gov

Internal Revenue Service

www.irs.gov

IRS Small Business Community

www.irs.gov/smallbiz/index.htm

IRS Small Business Corner

www.irs.gov/prod/bus_info/sm_bus/index.html

LSU Libraries Federal Agencies Directory

<http://www.lib.lsu.edu/gov/fedgov.html>

OSHA

<http://www.osha.gov/>

Labor

www.dol.gov

Small Business Administration

www.sba.gov

Small Business Administration/Export Asst. Center

www.sba.gov/oit

Small Business Administration/Women's Business Ownership

www.sba.gov/womeninbusiness

Small Business Administration/Women's Business Center

www.onlinewbc.gov

Social Security Administration

www.ssa.gov

Veterans Administration

www.va.gov

www.vetbiz.gov

World Trade Center

www.iserve.wtca.org

State Government

www.delaware.gov/

Delaware Economic Development Office

www.state.de.us/dedo

Insurance

www.state.de.us/inscom

Justice/Attorney General's Office

www.state.de.us/attgen/index.htm

Labor

www.delawareworks.com

Div. of Unemployment Insurance

Div. of Industrial Affairs

Div. of Vocational Rehabilitation

DE Commission for Women

Office of Occupational & Labor Market Information

Div. of Employment & Training

www.vcnet.net

Libraries

www.lib.de.us

Natural Resources and Environmental Control

www.dnrec.state.de.us

Public Health

www.state.de.us/dhss/dph/index.htm

Purchasing

www.state.de.us/purchase

Revenue

www.state.de.us/revenue

Sec. of State's Office

www.state.de.us/sos

Division of Corporations

www.state.de.us/corp/index.htm

City of Wilmington

www.ci.wilmington.de.us

Non-Profits

Central DE Chamber of Commerce

www.cdcc.net

Central Delaware Economic Development Council

www.conway.com/de/cdedc

DE Comm. Reinvestment Action Council (DCRAC)

www.dcrac.org

DE Innovation Fund

www.delawareinnovationfund.com

DE Mfg. Ext. Partnership

www.demep.org

Family & Workplace Connection

www.familyandworkplace.org

First State Comm. Loan Fund

www.firststateloan.org

Mid-Atlantic Business Fin. Co.

www.mabfc.com

NCC Chamber

www.ncccc.com

SCORE (CHAPTER 42)

www.scoredelaware.com

Small Business Development Center

www.delawaresbdc.org

State Chamber of Commerce

www.dscc.com

Wilmington Economic Development Corporation

www.wedco.org

YWCA's MicroBusiness Enterprise Center

www.microbusinesschamber.com

Financing Web sites

Find out more about business financing--and perhaps even get venture capital or an angel investor--at these key sites:

www.Garage.com

www.EarlyBirdCapital.com

www.pwcmoneytree.com

www.Bankrate.com

www.primestreet.com

www.livecapital.com

www.delawareinnovationfund.com

www.firststateloan.org

www.mabfc.com

www.rurdev.usda.gov

www.sba.gov

www.wedco.org

www.microbusinesschamber.com